

# South Carolina Board of Economic Advisors

## Statement of Estimated State Revenue Impact

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**Date:** May 7, 2007

**Bill Number:** H.B. 3669

**Authors:** Mulvaney; Shoopman; Merrill; Harrell, *et. al.*

**Committee Requesting Impact:** House Ways & Means Committee

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### Bill Summary

A bill to amend the Code of Laws of South Carolina, 1976, by adding Section 12-6-515 so as to reduce permanently by fifty basis points the marginal rates of the South Carolina individual income tax following fiscal years in which general fund revenues exceeds by more than two hundred fifty million dollars the general fund revenue estimate for the fiscal year.

### REVENUE IMPACT <sup>1/</sup>

This bill would reduce General Fund individual income tax revenue by at least \$242,950,000, or by a fifty basis points reduction in the individual income tax rates and brackets, if actual General Fund revenues during any fiscal year exceed the BEA's estimate of General Fund revenues as of the February 15<sup>th</sup> revenue forecast by more than \$250,000,000.

### Explanation

This bill would add Section 12-6-515 to permanently reduce each marginal rate of income tax by 50 basis points, or the applicable rate, if actual General Fund revenues during any fiscal year exceed the BEA's estimate of General Fund revenues as of the February 15<sup>th</sup> revenue forecast by more than \$250,000,000. The Department of Revenue would adjust the individual income tax rates and brackets to conform to the provisions of Section 12-6-510. The adjusted rates and brackets would be effective for taxable years beginning after December 31<sup>st</sup> following the end of the fiscal year in which the qualifying surplus general fund revenue accrued. These adjustments would continue until the applicable individual income tax rate is zero. Based upon the BEA's individual income tax estimate of \$3,401,273,503 in FY2007-08 made on February 15, 2007, the use of \$242,950,000 of recurring funds would lower the top marginal individual income tax bracket from 7.0% to 6.5% in FY2007-08.

/s/ WILLIAM C. GILLESPIE, PH.D.

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<sup>1/</sup> This statement meets the requirement of Section 2-7-71 for a state revenue impact by the BEA, or Section 2-7-76 for a local revenue impact or Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research.